

109478  
101278



FOR RELEASE ON DELIVERY  
EXPECTED AT 9:30 A.M.  
FRIDAY, MAY 25, 1979

STATEMENT OF  
H. L. KRIEGER, DIRECTOR  
FEDERAL PERSONNEL AND COMPENSATION DIVISION  
U.S. GENERAL ACCOUNTING OFFICE

BEFORE THE

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS  
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE H. R.

ON

[INTERRELATIONSHIPS OF FEDERAL AND  
DISTRICT OF COLUMBIA RETIREMENT SYSTEMS]

*Handwritten:* H.R. 908

MADAM CHAIR AND MEMBERS OF THE SUBCOMMITTEE:

I AM PLEASED TO BE HERE TO DISCUSS THE GENERAL ACCOUNTING OFFICE'S VIEWS ON THE PROBLEMS AND RELATIONSHIPS RESULTING FROM CERTAIN FEDERAL EMPLOYEES PARTICIPATING IN THE DISTRICT OF COLUMBIA'S POLICE AND FIREMEN'S RETIREMENT SYSTEM AND MOST DISTRICT EMPLOYEES PARTICIPATING IN THE FEDERAL CIVIL SERVICE RETIREMENT SYSTEM. GENERALLY, MY STATEMENT SUMMARIZES OUR FINDINGS ON THESE MATTERS AS DISCLOSED IN A REPORT ENTITLED, "FEDERAL AND DISTRICT OF COLUMBIA EMPLOYEES NEED TO BE IN SEPARATE PAY AND BENEFIT SYSTEMS," ISSUED ON JANUARY 12, 1978. THESE ISSUES WERE ALSO DISCUSSED IN OUR COMPREHENSIVE REPORT OF LAST DECEMBER ENTITLED, "NEED FOR OVERALL POLICY AND COORDINATED MANAGEMENT OF FEDERAL RETIREMENT SYSTEMS."

OUR REPORTS RECOMMENDED THAT THE CONGRESS END THE LONG-STANDING PAY AND FRINGE BENEFIT INTERRELATIONSHIPS OF FEDERAL

AND DISTRICT OF COLUMBIA EMPLOYEES SO THAT EACH GOVERNMENT CAN CONTROL THE NATURE, LEVEL, AND COSTS OF ITS EMPLOYEES' COMPENSATION. I WILL BRIEFLY OUTLINE THE REASONS THAT LED US TO THAT RECOMMENDATION.

ABOUT 1,500 FEDERAL LAW ENFORCEMENT PERSONNEL OF THE PARK POLICE AND SECRET SERVICE (INCLUDING THE SECRET SERVICE UNIFORMED DIVISION KNOWN PRIOR TO NOVEMBER 15, 1977, AS THE EXECUTIVE PROTECTIVE SERVICE) PARTICIPATE IN PAY AND/OR RETIREMENT SYSTEMS DESIGNED FOR DISTRICT POLICE AND FIREMEN AND ADMINISTERED BY THE DISTRICT. THEY RECEIVE HIGHER LEVELS OF PAY FOR THE SAME LEVELS OF WORK AND HAVE MUCH BETTER RETIREMENT BENEFITS THAN THEIR FEDERAL CIVIL SERVICE COUNTERPARTS.

THE DISTRICT'S POLICE AND FIREMEN'S RETIREMENT SYSTEM IS ONE OF THE MOST LIBERAL AND COSTLY IN THE UNITED STATES. ITS OPTIONAL AND DISABILITY RETIREMENT BENEFITS ARE MORE GENEROUS THAN THE SPECIAL RETIREMENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM WHICH COVER OTHER FEDERAL LAW ENFORCEMENT PERSONNEL SUCH AS SPECIAL AGENTS IN THE FEDERAL BUREAU OF INVESTIGATION, TREASURY, AND DRUG ENFORCEMENT ADMINISTRATION. PERSONNEL COVERED BY THE DISTRICT SYSTEM MAY RETIRE EARLIER WITH HIGHER RETIREMENT ANNUITIES AND CONTRIBUTE LESS TOWARD THEIR BENEFITS THAN SIMILARLY EMPLOYED CIVIL SERVICE PERSONNEL.

THE DEATH BENEFITS AND ANNUITY COST-OF-LIVING ADJUSTMENT PROVISIONS OF THE DISTRICT SYSTEM ARE ALSO MORE LIBERAL. FOR EXAMPLE, SURVIVORS OF DECEASED FEDERAL PERSONNEL UNDER THE DISTRICT SYSTEM ARE THE ONLY FEDERAL ANNUITANTS WHO STILL RECEIVE THE EXTRA 1 PERCENT "KICKER" EACH TIME THEIR ANNUITIES ARE ADJUSTED FOR INCREASES IN THE COST OF LIVING. FEDERAL RETIREMENT SYSTEMS HAD THE SAME ADJUSTMENT PROVISION UNTIL 1976 WHEN IT WAS REVISED TO PROVIDE FOR SEMI-ANNUAL ADJUSTMENTS WITHOUT AN ADD-ON.

FEDERAL PERSONNEL WERE EXTENDED COVERAGE UNDER THE DISTRICT'S SYSTEM BY LAWS ENACTED IN THE 1920'S AND 1940'S, GENERALLY BECAUSE THEY WERE RECRUITED FROM THE DISTRICT POLICE FORCE OR WERE DOING JOBS FORMERLY DONE BY DISTRICT POLICEMEN. TODAY, HOWEVER, RECRUITING FOR THESE POSITIONS IS NATIONWIDE, AND SOME OF THE COVERED PERSONNEL ARE NOT EVEN LOCATED IN WASHINGTON, D.C.

PERMITTING CERTAIN GROUPS OF FEDERAL EMPLOYEES TO PARTICIPATE IN THE DISTRICT SYSTEM CREATES INEQUITIES BETWEEN THESE EMPLOYEES AND OTHER FEDERAL PERSONNEL. THE MAJORITY OF FEDERAL EMPLOYEES COVERED BY THE DISTRICT SYSTEM WOULD NOT MEET THE LAW'S CRITERIA FOR COVERAGE UNDER THE SPECIAL RETIREMENT PROVISIONS OF THE CIVIL SERVICE SYSTEM, AND WOULD BE COVERED BY THE REGULAR PROVISIONS IF THEY WERE SUBJECT TO CIVIL SERVICE RETIREMENT. ACCORDING TO THE OFFICE OF PERSONNEL MANAGEMENT, ONLY SECRET SERVICE AGENTS AND

POSSIBLY INVESTIGATORS IN THE CRIMINAL INVESTIGATIONS BRANCH OF THE PARK POLICE WOULD QUALIFY FOR THE SPECIAL BENEFITS.

ANOTHER INEQUITABLE SITUATION EXISTS. FEDERAL EMPLOYEES WHO RETIRE UNDER THE DISTRICT SYSTEM MAY BE REEMPLOYED IN POSITIONS COVERED BY THE CIVIL SERVICE SYSTEM WITH NO REDUCTION IN EITHER SALARY OR ANNUITY. SINCE THE DISTRICT SYSTEM ALLOWS RETIREMENT AFTER 20 YEARS' SERVICE AT ANY AGE AND MANY OTHERS RETIRE EVEN SOONER ON DISABILITY, THE OPPORTUNITIES FOR SUCH "DOUBLE DIPPING" ABOUND. OUR REPORTS CITED AN EXAMPLE OF A SECRET SERVICE RETIREE WHO SECURED A POSITION UNDER THE CIVIL SERVICE SYSTEM AT AN ANNUAL SALARY OF ABOUT \$47,000 WHILE CONTINUING TO RECEIVE A DISTRICT PENSION OF ABOUT \$18,000 A YEAR. A CIVIL SERVICE RETIREE WHO IS REEMPLOYED IN A CIVIL SERVICE POSITION WOULD HAVE HIS SALARY REDUCED BY THE AMOUNT OF HIS ANNUITY.

WE BELIEVE THE FEDERAL GOVERNMENT SHOULD CONTROL THESE FEDERAL EMPLOYEES' COMPENSATION SO THAT IT IS EQUITABLE, AFFORDABLE, AND CONSISTENT WITH THAT PROVIDED TO SIMILARLY EMPLOYED FEDERAL LAW ENFORCEMENT PERSONNEL. SECRET SERVICE AGENTS ARE PAID UNDER THE GENERAL SCHEDULE, AND A 1976 LAW REQUIRES THE PARK POLICE'S ANNUAL PAY ADJUSTMENTS TO BE EQUAL TO THE AVERAGE PERCENTAGE PAY INCREASES UNDER THE GENERAL SCHEDULE. OTHERWISE, THE DISTRICT ADMINISTERS THE PAY SYSTEM FOR THE COVERED FEDERAL PERSONNEL, AND THEIR BENEFITS, INCLUDING DISABILITY RETIREMENT DETERMINATIONS, ARE COMPLETELY CONTROLLED AND ADMINISTERED BY THE DISTRICT.

THE CONGRESSIONAL COMMITTEES WITH LEGISLATIVE JURISDICTION OVER FEDERAL CIVIL SERVICE PAY AND RETIREMENT BENEFITS, SUCH AS THIS SUBCOMMITTEE, HAVE LITTLE CONTROL OVER THE LEVELS AND COSTS OF THESE FEDERAL EMPLOYEES' COMPENSATION. REMOVAL OF THE FEDERAL PERSONNEL FROM THE DISTRICT'S SYSTEMS WOULD CORRECT THIS ANOMALY.

THE HOUSE AND SENATE COMMITTEES WITH JURISDICTION OVER THE DISTRICT ARE CURRENTLY CONSIDERING A BILL TO SIGNIFICANTLY CHANGE CERTAIN PROVISIONS OF THE POLICE AND FIREMEN'S RETIREMENT SYSTEM WHICH HAVE BEEN WIDELY ACKNOWLEDGED TO BE TOO GENEROUS. HOWEVER, THE BILL SPECIFICALLY EXCLUDES FEDERAL PERSONNEL FROM THE SYSTEM CHANGES. THEY WOULD CONTINUE TO BE COVERED BY THE SYSTEM AS IT EXISTS TODAY. THE CONGRESS PASSED THE SAME LEGISLATION LAST YEAR, BUT IT WAS VETOED BY THE PRESIDENT. WE BELIEVE THIS LEGISLATION, IF ENACTED, WOULD MAKE IT EVEN MORE IMPERATIVE THAT FEDERAL PERSONNEL BE REMOVED FROM THE DISTRICT SYSTEM. IN FACT, IT SEEMS TO US THAT, IF SWEEPING CHANGES ARE GOING TO BE MADE TO THE DISTRICT SYSTEM, THIS WOULD BE A LOGICAL AND APPROPRIATE TIME FOR THE CONGRESS TO ALSO ACT ON THE FEDERAL EMPLOYEE SITUATION.

MOST DISTRICT EMPLOYEES (OTHER THAN POLICE, FIREMEN, TEACHERS, AND JUDGES) ARE COVERED BY FEDERAL SALARY AND WAGE SCHEDULES AND CIVIL SERVICE RETIREMENT AND OTHER BENEFIT PROGRAMS. BEFORE HOME RULE BEGAN IN 1975, DISTRICT EMPLOYEES

WERE CONSIDERED TO BE FEDERAL EMPLOYEES AND, PROPERLY, THEIR PAY AND FRINGE BENEFITS WERE THE SAME AS OTHER SIMILARLY EMPLOYED FEDERAL PERSONNEL.

THE HOME RULE ACT ESTABLISHED FOR THE DISTRICT A FORM OF MUNICIPAL GOVERNMENT SOMEWHAT LIKE THAT OF OTHER U.S. CITIES--RESPONSIBLE AND ACCOUNTABLE TO LOCAL RESIDENTS. THE ACT REQUIRES THE DISTRICT TO ESTABLISH AN EMPLOYEE MERIT SYSTEM BY 1980 AND GIVES IT THE OPTION OF CREATING ITS OWN EMPLOYEE COMPENSATION SYSTEMS OR CONTINUING TO PARTICIPATE IN ALL OR PART OF THE FEDERAL CIVIL SERVICE SYSTEMS. THE ACT DOES PLACE A MAJOR RESTRICTION ON THE DISTRICT'S OPTIONS. IT REQUIRES THAT ANY NEW COMPENSATION SYSTEMS FOR DISTRICT EMPLOYEES BE AT LEAST EQUAL TO THOSE IN EFFECT FOR DISTRICT EMPLOYEES AT THE TIME OF CONVERSION.

WE BELIEVE THE DISTRICT, LIKE OTHER CITIES, SHOULD CONTROL AND ADMINISTER THE PAY AND FRINGE BENEFITS OF ALL ITS EMPLOYEES SO THAT THEIR COMPENSATION IS CONSISTENT WITH LOCAL PERSONNEL MANAGEMENT OBJECTIVES AND AFFORDABLE TO DISTRICT RESIDENTS. UNLESS THE DISTRICT GOVERNMENT HAS THE AUTHORITY TO SEPARATELY ESTABLISH AND ADMINISTER ITS EMPLOYEES' PAY RATES AND BENEFITS AS IT SEES FIT, DISTRICT HOME RULE WILL NEVER BECOME A REALITY. THEREFORE, WE RECOMMENDED THAT THE CONGRESS ENACT LEGISLATION PROVIDING THAT THE DISTRICT SHOULD ESTABLISH, WITHOUT RESTRICTION, ITS OWN PAY AND BENEFITS POLICIES AND SYSTEMS FOR THE EMPLOYEES NOW SUBJECT TO FEDERAL PAY AND BENEFIT SYSTEMS.

A SEPARATE DISTRICT RETIREMENT SYSTEM, PROPERLY INTEGRATED WITH THE DISTRICT'S MISSION, NEEDS, AND RESOURCES, WOULD BE MORE CONSISTENT WITH THE INTENT OF HOME RULE AND SHOULD BETTER ASSIST THE DISTRICT IN FULFILLING ITS RESPONSIBILITIES TO DISTRICT RESIDENTS AND TO DISTRICT EMPLOYEES. THE DISTRICT SHOULD NOT BE BOUND BY FEDERAL COMPENSATION POLICIES, PRACTICES, AND SYSTEMS THAT IT DOES NOT WANT OR NEED, OR THAT ITS RESIDENTS MAY NOT BE ABLE TO AFFORD.

ONE VERY IMPORTANT FACT TO RECOGNIZE DURING CONSIDERATION OF THIS MATTER IS THAT THE CONTRIBUTIONS TO THE CIVIL SERVICE RETIREMENT FUND BY THE DISTRICT AND ITS COVERED EMPLOYEES FALL FAR SHORT OF PAYING THE COSTS OF THE BENEFITS BEING ACCRUED FOR THOSE EMPLOYEES.

AS YOU KNOW, WE HAVE BEEN VERY CONCERNED THAT THE FULL COST OF ACCRUING BENEFITS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM IS NOT BEING RECOGNIZED AND CHARGED TO PARTICIPATING ORGANIZATIONS. AGENCIES AND THEIR EMPLOYEES GENERALLY CONTRIBUTE 14 PERCENT OF PAY TO THE RETIREMENT FUND EVEN THOUGH THE OFFICE OF MANAGEMENT AND BUDGET HAS DETERMINED THAT THE ACTUAL COST OF ACCRUING BENEFITS IS 27.4 PERCENT. WE REPORTED THAT, IN 1976, THE DISTRICT WAS SUBSIDIZED BY ABOUT \$72 MILLION THROUGH THE RETIREMENT SYSTEM. WE HAVE NOT MADE SUCH CALCULATIONS FOR MORE RECENT YEARS, BUT ANNUAL SUBSIDIES WILL CONTINUE AT A GROWING RATE AS LONG AS THE DISTRICT IS

PERMITTED TO PARTICIPATE IN THE CIVIL SERVICE SYSTEM  
AND THE CURRENT FINANCING ARRANGEMENTS REMAIN UNCHANGED.  
SUCH UNDERSTATEMENT OF TRUE RETIREMENT COSTS DISTORTS  
DISTRICT GOVERNMENT OPERATING COSTS AND SHIFTS A LARGE  
PORTION OF THE DISTRICT'S SHARE OF CIVIL SERVICE RETIRE-  
MENT COSTS TO THE GENERAL PUBLIC.

THAT CONCLUDES MY STATEMENT, MADAM CHAIR. MY COLLEAGUES  
AND I WILL BE PLEASED TO ANSWER QUESTIONS.